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## **News Release**

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### **St. Paul man pleads guilty to wire fraud**

A 47-year-old St. Paul man pleaded guilty today in federal court to one count of wire fraud in connection with a mortgage brokerage scheme to defraud and to obtain money by means of false and fraudulent pretenses.

Jerald Mitchell entered his plea May 19 in St. Paul before United States District Court Judge Richard Kyle. Mitchell was charged on April 21.

According to Mitchell's plea agreement, he admitted to participating in the scheme from July 2005 through April 2007. The scheme involved mortgage loans being obtained for amounts substantially in excess of the purchase price of a property through the use of inflated property appraisals. Concealed payments from mortgage loan proceeds were also diverted to buyers of real properties and other individuals through the use of fraudulent underwriting and closing documentation, and the funds in excess of the purchase price were then misappropriated by the participants in the scheme.

The fraudulent documentation provided to lenders misrepresented the true terms of the proposed transaction, including falsely overstating the true purchase price to be paid by a buyer for a real property, falsely overstating the income from the borrowers, falsely stating that the residences were to be owner-occupied and concealing payments that were to be made from the loan proceeds to the buyer and others, including Mitchell.

Based on the fraudulent documentation, the proposed loans were approved and the loan proceeds were disbursed to a title company. Mitchell admitted that he would then work with a closing agent to execute the scheme by disbursing the funds by concealing payments that were made to the buyer and other third parties, including himself.

Some of the concealed payments were obtained by having the lender disburse funds at the closing which were to be used to pay contractors for improvements on the property, but in fact, no improvements were made. The money was instead fraudulently obtained by the scheme's participants. Many of the concealed payments were disbursed to Mitchell through checks issued by the lender to Mitchell's investment company.

Mitchell admitted participating in 19 separate fraudulent real estate transactions worth approximately \$6 million in total loan proceeds. At least \$940,000 in fraudulent concealed payments were made in these 19 transactions.

Specifically, on May 3, 2006, Mitchell admitted wire transferring loan proceeds in the amount of \$231,631.03 and then issuing a check in the amount of \$31,000 payable to his investment company. Mitchell also admitted issuing a \$17,000 check from the bank account of his investment company from the proceeds of the wire fraud.

Mitchell faces a potential maximum penalty of 20 years in prison. Judge Kyle will determine Mitchell's sentence at a future date. This case is the result of an investigation by the Federal Bureau of Investigation and the Internal Revenue Service-Criminal Investigation Division. It is being prosecuted by Assistant U.S. Attorney Tim Rank.